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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Report of the Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries - Insurance on its first session

held at the Palais des Nations, Geneva,
from 1 to 5 February 1993

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INTRODUCTION

1. The Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries: Insurance, established in accordance with paragraph 70 of the Cartagena Commitment (TD/364), held its first session at the Palais des Nations, Geneva, from 1 to 5 February 1993. In the course of the session, the Standing Committee held 5 plenary meetings. 1/

Opening statements

2. The Chairman said that, in the present context of unprecedented economic change, insurance was an integral and important part of economic development. While protecting life, property and enterprise, insurance also generated substantial savings and was an important financial institution. The work programme of the Standing Committee should be established in the context of these emerging changes.

3. Change in the insurance sector should be carried out in a phased manner. The first step should be to expand the domestic base, then strengthen the regulatory and supervisory environment and thereafter provide market access to new aspirants. The particular role of insurance as a financial institution, mobilizing savings acutely needed for development, should be preserved.

4. Developing countries were not a very homogeneous group, but they were sure to look to UNCTAD for coordination and assistance to help them through the process of change. The participation of the insurance industry in UNCTAD meetings on insurance had provided an important linkage between the policies of Governments and the programmes evolved by UNCTAD. Those linkages should continue to strengthen during the present era, which emphasized development and growth combined with a competitive spirit and transparency in trade.

5. The Deputy Secretary-General of UNCTAD said that UNCTAD VIII had acknowledged the growing relevance of services in both the international and the developmental context. It had been recognized that the different components of the services sector had common elements, and it had therefore been appropriate to constitute a single Standing Committee on Services.

6. The main goal of the Standing Committee's session on insurance was to establish its work programme in the field of insurance, which should comprise three main themes: promoting transparency, fostering competitive insurance services, and strengthening technical cooperation. A Group of Experts on Agricultural Insurance in Developing Countries had met the previous week, and it was expected that the Standing Committee would make use of the Group's work during deliberations.

7. By its very nature, insurance was a factor of stability, allowing nations and the international community to exercise foresight and to avoid the

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1/ For the terms of reference of the Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries: Insurance, see Trade and Development Board decision 398 (XXXVIII), annex, section B.

pitfalls of too short-term an outlook. While the risk-bearing and risk-spreading functions of insurance were important to almost all economic and social activities, insurance was of special relevance, in the development context, since it was a means of mobilizing and accumulating financial resources. Only a viable and strong insurance sector could promote and help sustain economic growth and satisfy the growing demand for protection and security.

8. In efforts to strengthen the insurance sector of developing countries through privatization and liberalization policies, changes in the legal and regulatory environment were required to ensure lasting benefits to the economies of the countries concerned. Also, if the insurance sector was to expand, it had to develop suitable services, employ marketing strategies to promote public awareness, and constantly improve education and training in insurance matters. A strong domestic insurance sector would not only provide support for the domestic economy but would also be competitive on the international markets.

9. The Officer-in-Charge of the Insurance Programme said that the emergence of the concept of sustainable development, along with the increase in natural and man-made disasters in recent years, had contributed to a greater awareness of the importance of insurance as a factor of development. The importance of services in general and insurance in particular had also been recognized by UNCTAD VIII through the Cartagena Commitment and its follow-up.

10. The liberalization of insurance markets should be preceded by efforts to strengthen domestic markets and increase their competitiveness. The attention and support of the international community in the context of liberalization and privatization reforms was of crucial importance. These changes also required a corresponding adaptation of the legislative environment and regulatory framework of insurance. Strengthening the domestic insurance sector involved the expansion of the market, and in that connection agricultural activities, which played an important role in the development process, presented new possibilities for insurance, as penetration had been low in the past.

11. Finally, further cooperation between government insurance authorities, the public and private sector, associated experts and regional insurance organizations would be of great benefit to the implementation of the work programme of the Standing Committee in the field of insurance.

Chapter I

ESTABLISHMENT OF THE WORK PROGRAMME OF THE STANDING COMMITTEE ON DEVELOPING SERVICES SECTORS: FOSTERING COMPETITIVE SERVICES SECTORS IN DEVELOPING COUNTRIES: INSURANCE (Agenda item 3)

12. For its consideration of this item, the Standing Committee had before it the following documentation:

"Issues for consideration in the establishment of the work programme on insurance" (TD/B/CN.4/15);

"Agricultural insurance in developing countries: study by the UNCTAD secretariat" (UNCTAD/SDD/INS/1 and Summary) (background document);

"Assessment and review of developments in the insurance markets of developing countries: report by the UNCTAD secretariat" (UNCTAD/SDD/INS/2);

"Insurance in developing countries: privatization of insurance enterprises and liberalization of insurance markets: report by the UNCTAD secretariat" (UNCTAD/SDD/INS/3) (background document);

"Report of the Group of Experts on Agricultural Insurance in Developing Countries" (UNCTAD/SDD/INS/4) (background document).

13. The representative of Denmark, speaking on behalf of the European Community and its member States, said it was important for the Standing Committee to take the prior work of UNCTAD into account and to build on it, providing clear directions for the work programme in the field of insurance and setting appropriate priorities for the issues to be addressed. Furthermore, it was essential not to duplicate work being done in other international organizations. Areas that required attention in the work programme included: developing more complete statistics on insurance, reviewing developments and making comparative analyses of policies; strengthening of the legislative, institutional and technological infrastructure; assessment of the impact of privatization and progressive liberalization, and the adoption of necessary legislation in this respect; policies and programmes of regional cooperation; and possible close attention to insurance in the agricultural sector. The document prepared by the secretariat (TD/B/CN.4/15) was a valuable contribution to the formulation of the work programme.

14. There should be further examination of relevant issues before any decision was taken to set up expert groups. Calling on external experts to present their views to the Committee was an alternative to the creation of expert groups. The work programme to be established should be capable of completion within the next three and a half years, and the Committee should concentrate on analysing ways and means of developing competitive domestic insurance markets, while realistically addressing their opening to foreign suppliers. The submission of the study on agricultural insurance was welcome. Technical cooperation was important in assisting developing countries in making their services sector more competitive, and the work programme on insurance should fully reflect the implications of the Cartagena Commitment.

15. The representative of the Commission of the European Community, speaking as an expert on insurance, said he agreed with the proposal by the UNCTAD secretariat to undertake work on the adaptation of insurance regulation and supervision in developing countries to take into account the trend towards privatization and liberalization. In this respect, the recent experiences within the European Community and in the countries in transition to a market economy had reinforced the conviction that a free insurance market could only achieve its objectives of creating a secure environment for all parties concerned if it was adequately regulated. The legislative work undertaken by the European Community could provide a good model for other countries, if the necessary adjustments were made and if a step-by-step approach was followed. The opening of markets was also indispensable to achieve a good technical dispersion of risks and to allow local markets to benefit from the financial strength and expertise of foreign insurers. Liberalization, which could also be implemented through national treatment and freedom of establishment, undoubtedly had its merits, but it also had its limits, and its application to developing countries must take into account their degree of development.

16. With regard to the review of developments in insurance and reinsurance in developing countries, he proposed that such work should be continued in the future, as should work on the statistical survey. In the area of technical cooperation, training and assistance in connection with establishing legislative frameworks should be strengthened. Finally, he regretted the late distribution of documentation by the UNCTAD secretariat.

17. The representative of the Russian Federation stressed the readiness of her country to participate in the work of the Committee, in particular with regard to national studies in the insurance sector. The development of a national insurance market was one of the major elements in the transition to a market-oriented economy, and the work of the Committee would therefore be of direct interest to the Russian Federation. The transition from a state monopoly in insurance activities to private operations required new approaches to state regulatory policies, in particular in respect of insurance supervision. The question of allowing foreign insurers greater access to the domestic insurance markets of countries in transition was also an important one. The exchange of views within the Committee could serve as a basis for the harmonization of regulatory regimes in the field of insurance, thus contributing to the development of international trade and other forms of cooperation, including that of the Russian Federation with the developing countries.

18. Medical, investment and liability insurance were of great relevance in the context of the transition to a market economy generally, and these areas might therefore be included in the Committee's work programme. Another subject might relate to ways of creating conditions for the development of risk evaluation, damage and claims assessment, and actuarial services. She welcomed suggestions aimed at promoting exchanges of national experiences within the Committee and expressed the hope that this might lead to a better dissemination of information and statistics on insurance in member countries. The Russian Federation was ready to supply statistical and other information based on national studies in an effort towards better international cooperation and harmonization of regulatory regimes.

19. The representative of China said the fact that insurance was being considered as a separate subject within the Committee proved that it had an important place in the work of UNCTAD. In that connection, previous work by UNCTAD in the area of insurance should be taken into account. The development of agriculture, industrial reform and the growth of the services sector, along with the general rise in living standards, meant that insurance was taking on increasing importance. During the past 30 years, insurance in developing countries had made great progress, but it was still an emerging sector. Factors that impeded its development included narrow markets, poor management and lack of qualified personnel.

20. The Standing Committee's programme of work should focus on the expansion of markets in developing countries and on proper legislation, regulation and supervision, and human resources development. In view of the size of the agricultural population in developing countries, insurance in the agricultural sector was crucial not only for the development of agriculture but also for the insurance sector itself. As far as China's own experience in that respect was concerned, after a late start agricultural insurance had expanded rapidly. As far as industrial insurance was concerned, lack of experience was a problem, and China was keen to learn from the experience of others. It had joined ASIAN Re. China hoped that the work of the Committee would strengthen insurance in developing countries so that insurance could better serve development needs.

21. The representative of Japan said that a viable insurance sector was important for the development of developing countries. The prior work of the secretariat should be taken into account, while duplication of work with other international organizations should be avoided. Referring to document TD/B/CN.4/15, he said that the Committee should facilitate the exchange of experience with respect, in particular, to the liberalization of insurance markets and human resources development for insurance.

22. The representative of Romania said that, from 1952 until January 1991, the Administration of State Insurance (ADAS), with solely Romanian capital, had been the only insurer in Romania for both domestic and international activities. Under a Decree of December 1990, the insurance monopoly had ceased and insurance activity had been taken over by three joint-stock companies with public capital which were operationally and financially independent of one another: ASIROM S.A, ASTRA S.A., and CAROM S.A. In 1991 and 1992, a number of insurance companies had been set up, with either private or state capital or as joint ventures. Insurance brokers had also been established, all of them with private capital. Negotiations were under way with many foreign companies to set up joint ventures in Romania, and favourable conditions had been established to that end.

23. With regard to agricultural insurance, until 1991 ADAS had provided all compulsory and facultative agricultural insurance. The compulsory insurance had covered agricultural products, crops, and animals belonging to agricultural cooperative farms. In the period 1990-1992, ASIROM S.A. had continued to write compulsory agricultural insurance, but only for animals. In 1992 two agricultural insurance companies with private domestic capital had been set up, namely AGRAS S.A. and COLUMBUS S.A., which provided various types of agricultural insurances policies.

24. The national insurance market in Romania was now confronted with the problem of lack of financial resources, and he called on international organizations to grant assistance in this respect. He suggested that the Standing Committee analyse the possibility of organizing seminars on agriculture insurance or fire insurance and include one of these themes in its work programme.

25. The representative of Mexico said that secretariat document TD/B/CN.4/15 represented a good basis for discussion, and he shared most of the views it contained. The work done previously by the Committee on Invisibles and Financing related to Trade on insurance and reinsurance should be taken into account. With regard to the work programme, agricultural insurance was of special interest, and the secretariat should also continue to collect statistics on insurance and reinsurance operations not only of developing countries but also of developed countries for the sake of comparison. Experts should be invited to make presentations on specific topics, and there was a need to carry out periodical reviews of changes in insurance legislation and supervisory systems in order to increase transparency. Developing countries were still lagging behind in insurance, and technical assistance should be provided to improve the skills of the staff working in the industry.

26. The representative of the United States of America said that her delegation intended to submit a proposal on a programme in the field of insurance which would take into account the terms of reference of the Standing Committee. The Standing Committee would be looked on as a forum for the exchange of experience and information, and its work programme should have three elements: a survey of relevant information on insurance; case studies of key issues and experiences; and a worldwide survey and analysis of legal, regulatory and other infrastructures for insurance.

27. The representatives of Colombia said they hoped that the Standing Committee's work at its first session would concentrate on substantive issues, and the resulting work programme should be based on the terms of reference of the Committee as agreed by the Board in May 1992, specifically paragraph 4, thus giving due attention to the two objectives stated there: strengthening insurance sectors and enhancing trade for developing countries in the sector. The background documentation was of excellent quality but unfortunately had not been distributed in advance, as should have been the case. The past work of the Committee on Invisibles and Financing related to Trade should also be taken into account. The need for risk management and the development and strengthening of instruments for the protection of the consumer, as well as comparative analysis of prudential regulations, were important issues, especially in times of liberalization, deregulation and subsequent legislative change. The role and position of capital markets and the effects of insurance on savings were also issues that should be considered, along with cooperation in human resources development.

28. Statistics on insurance in developing countries should be collected on an ongoing basis, and information on developed countries should be included for reference. The expansion of the domestic insurance market and the question of agricultural insurance should be taken up, along with comparative analyses of how markets functioned as they were opened up. There was also the question of conditions and limitations on market access and national treatment, particularly with respect to developed country markets. It would be important

for the Standing Committee to continue its cooperation with government authorities and the business sector and to call on experts and consultants for short-term work.

29. Concerning the Expert Group on Agricultural Insurance in Developing Countries, it was noted that the topic was not limited to crop insurance and was a component of wider economic and social development. The promotion of regional development through agricultural insurance was fully supported in Latin America by the ALASA organization. Two issues would be relevant to the future work of the Committee, namely the formation of a data bank with information and statistics on agricultural insurance, and development of mechanisms for providing training on agricultural insurance.

30. The representative of Chile said that the future work programme should be focused and allow thorough examination of the topics chosen. It should be geared to the promotion of transparency of markets, the gathering of national and international statistics and information, the issue of the access of developing countries to the international market, basically to the reinsurance market, and the strengthening of domestic markets through technical assistance in training, in particular for personnel working in government supervisory authorities. The work programme should promote a climate of competition and development within the process of privatization.

31. With regard to LDCs, support for agricultural insurance was important, since efforts in that area would contribute to the general development of LDCs. It would also be important to promote insurance for small and medium-sized enterprises, as insurance was an important link between them and credit facilities.

32. The representative of Australia said it was important that the work programme in the field of insurance be related to the work programme on services, and it should be consistent and relevant. It also had to be specific and clear as regards content, output and timing, the objective being to contribute to fostering competitive services. It should be achievable during the time available before UNCTAD IX, and it should be within the capacities of the Committee and the secretariat. One of the key elements of the work programme should be to explain why some countries had become successful in the insurance sector and examine how these lessons could be translated into policy options for consideration by others, including with regard to agricultural insurance. The role of experts and expert groups should receive careful attention, and the elements of the work programme should be prioritized.

33. The representative of Bolivia said that most of the suggestions made by the secretariat and other delegations on the Work Programme were appropriate. Emphasis should be on the collection and dissemination of statistics by the secretariat, on legislation and regulations governing insurance, and on agricultural insurance, including crop and other covers. In addition, seminars should be organized with a view to enhancing the competence of the personnel working in insurance.

34. The representative of the International Co-operative Alliance (ICA) said that the International Cooperative and Mutual Insurance Federation (ICMIF), which was a member of ICA, was an association of over 100 insurers

from 47 countries promoting cooperative insurance in Europe, Asia, the Americas and Africa. Fifteen years previously, UNCTAD had recognized that cooperative and mutual insurance were suitable forms of insurance for developing countries, and in this respect he referred to a resolution adopted by the Committee on Invisibles and Financing related to Trade in December 1977. Cooperative and mutual insurance would remain particularly suitable in the changing environment of insurance markets. It was important that the process of transition should be not only effective but also cost-effective for the developing countries.

35. The representative of India said that one of the important objectives of State policy in India over the last two decades had been to ensure that the operation of the economic system did not result in the detrimental concentration of wealth. An evaluation of the progress achieved by the nationalized insurance sector showed that most of the objectives of nationalization had been largely achieved under the public enterprise system.

36. The Life Insurance Corporation of India had contributed enormously to the development of the housing sector. It also undertook a large number of social security schemes, as well as contributing enormous resources to various infrastructural sectors. As to the general insurance industry, the General Insurance Corporation of India and its subsidiaries rendered effective service by combining commercial and business goals with social responsibility.

37. The major objective of the reinsurance programme for the Indian insurance industry was to conserve foreign exchange by retaining within the country as much of the premium as possible consistent with the risk-bearing capacity of the companies and the hazards and values involved. Despite all the progress achieved, the insurance industry had some clear weaknesses, including a low level of customer satisfaction, inadequate servicing of low-cost business, particularly in the rural areas, lack of adequate resources to increase socially oriented insurance, lack of market research and market surveys for product development and upgrading, and absence of a separate cadre for rural and informal sector insurance.

38. In order to improve the performance and efficiency of the insurance industry, exposure to competition could be considered. This also seemed necessary for the integration of the Indian economy into the world economy. However, ways had to be found to introduce changes progressively, and the Committee should discuss recommendations for the phased introduction of change. Approaches to reinsurance should bear in mind the balance-of-payments position of developing countries, and agricultural insurance also deserved priority attention. Technical cooperation work could include strengthening supervisory authorities, providing guidelines for drafting amendments to laws and putting fundamental regulations in place.

39. The representative of Egypt stressed the importance of the insurance sector in the context of evolving new international economic relations. In the Egyptian economy, the sector had been developed in order to keep up with the overall development of the economic reform being pursued. The first phase had allowed for public and private capital to take part in the sector. Joint venture companies were allowed to transact in the free zone areas. The next phase would involve providing for minimum capital increase, personnel development and management improvement, elaboration of legislation ensuring

protection of the national market through reinsurance, and updating of legislation based on the recent experiences of other countries. In agricultural insurance, Egypt would have to diversify from livestock to include crop insurance and try to benefit from the experience of others in that area.

40. The work programme of the Committee on insurance should be compatible with the Committee's terms of reference, with due emphasis on paragraph 4. Taking into account levels of development and the need for gradual evolution towards increased liberalization, the programme might include studying ways and means of strengthening supervisory authorities and supervision measures in the insurance sector; considering developmental aspects in respect of which both the developed and developing countries should have clear commitments; and increasing transparency by facilitating the exchange of information in order to increase the level of transactions. Technical cooperation should be emphasized in the programme and might include: professional training for technical personnel in insurance; assistance for supervisory authorities in setting up and managing a more competitive market environment; adaptation of insurance regulations to the changes in the global economic system; and developing the ability of agricultural insurance to provide relief for natural disasters.

41. The representative of the Philippines said that, as regards agricultural insurance, the analysis and recommendations of the Group of Experts was awaited with much interest, as the Philippine economy, like that of many other developing countries, was largely dependent on agriculture. In view of the importance of insurance in rural economies, the Philippine Crop Insurance Corporation had been established 11 years previously. Livestock and poultry insurance had also been developed over the last 2 years and were run by a pool of 26 private and 2 government insurance companies. She described the developments and experiences in agricultural insurance in her country and expressed concern that the commercialization of crop insurance through a reduction in premium subsidies would make it inaccessible to many small farmers; alternative ways of reducing premium rates should be contemplated.

42. Concerning liberalization, the Philippines had recently lifted a ban on the establishment of new insurance companies, which were now subject to a tenfold increase in the minimum capital requirements for existing companies. Privatization was also an area of concern. A case-study could be undertaken by the secretariat to determine the impact of liberalization on consumers and insurance sectors in particular and the economy in general.

43. Due to the worldwide recession, large recent catastrophic losses and changing weather patterns, international reinsurance capacities had been reduced, rates had increased and terms and conditions had become difficult. The Committee should consider an in-depth study of the world's reinsurance capacity, as its contraction would have disastrous effects on the capacity of domestic insurance markets to provide catastrophic risk insurance in developing economies.

44. The representative of Algeria informed the Committee that his country would eventually be embarking on a process of liberalization. This process concerned not only insurance but also other sectors, including other services sectors. The transition from a monopolistic market to a market economy should

be progressive. To achieve the transformation, it was important to adopt appropriate legislation and ensure adequate supervision in the field of insurance in order to safeguard the interests of the public. Technical assistance from the UNCTAD secretariat would be very much appreciated in this respect. Regarding agricultural insurance, it would be of great interest to be informed of the experiences of other countries, in particular that of developed countries, both in respect of insurance against ordinary agricultural risks and in respect of cover for risks relating to agricultural catastrophes such as drought, frost, flooding, etc. As for risks relating to natural disasters, covering such risks presented difficulties for a certain number of developing countries in terms of reinsurance. The countries concerned, including Algeria, faced a problem of lack of reinsurance capacity on the world market, and that problem should be examined with a view to identifying an appropriate solution.

45. The representative of the Dakar Union said that the activities of his association included the establishment of credit insurance mechanisms in African countries, the exchange of experience and information on solvency, mutual assistance among credit insurers on loan recovery, training, and assistance to members in seeking out reinsurance for political risk. He drew attention to a feasibility study financed by EEC for the creation of a political risk reinsurance pool.

46. The representative of Malaysia stated his country's appreciation for UNCTAD's technical assistance in the area of training. The insurance sector in Malaysia had taken a long-term view by focusing on training and the development of skills. In addition to training, he highlighted the need to look into the problems faced by emerging insurance markets in obtaining reinsurance support. That was essential to enable insurance companies in those areas to provide the capacity needed in their own respective markets. He also suggested that, through the experience of ASEAN, technical cooperation on a regional basis had proved effective because of the commonality of problems and practices.

47. The representative of the African Group (Egypt) said that while there was a consensus on the necessity of accepting change, opinions differed on the transformation of the challenges ahead into development opportunities. Insurance should not be considered in isolation from the rest of the economy. Many problems had been identified in the insurance sector, but few solutions had been found so far. The North-South historical experience and the crippling effects of stagnant or retrogressing economies were being felt more so in Africa than elsewhere. Africa had recognized the need for phased and prioritized changes without losing the gains of the past or relinquishing control over emerging realities.

48. Sudden and unrestricted liberalization of the insurance industry would have devastating effects on most African countries, and the African Group therefore found it difficult to agree with paragraph 20 of document TD/B/CN.4/15. In order to cope with the strains that would follow a cautious and phased liberalization, technical assistance from UNCTAD would be necessary. Such assistance should be directed towards establishing and strengthening supervisory authorities at the national, subregional and

regional levels and building up capacity through training of managers, inter alia, through exposure to experiences in markets undergoing rapid liberalization.

49. The African Group commended the contributions of UNCTAD in respect of agricultural insurance, human resources development, insurance and reinsurance statistics, reinsurance security and collaboration with regional and subregional associations, and hoped that this cooperation would continue under the mandate of the Standing Committee.

50. The representative of the UNCTAD secretariat, presenting the report of the Group of Experts on Agricultural Insurance in Developing Countries (UNCTAD/SDD/INS/4), said that the Group of Experts had accepted and commended the study on agricultural insurance as contained in document UNCTAD/SDD/INS/1. The Group felt that agricultural insurance should be introduced in a phased manner, starting with covers of specific crops and perils, livestock, poultry and other simple risks which did not pose high exposure problems. Government support should be well defined and could progressively diminish, while there was a definite place for cooperatives and mutuals in rural and agricultural insurance. The Group of Experts had made recommendations for further work by the secretariat in its report.

51. The representative of Mauritius, speaking in his capacity as Chairman of the Expert Group on Agricultural Insurance in Developing Countries, commenting on the main conclusions of his Group, highlighted the role of reinsurance as the risk management and redistribution tool in agriculture. The study on agricultural insurance in developing countries (UNCTAD/SDD/INS/1) prepared by the UNCTAD secretariat for the meeting of the Group had been much appreciated. He stressed the importance of links between rural credit and agricultural insurance, allowing not only the development of the insurance sector but also expanding possibilities for productive investment in agriculture.

Action by the Standing Committee

52. At the Standing Committee's 5th (closing) plenary, on 5 February 1993, the Chairman presented a draft work programme (TD/B/CN.4/L.6).

53. At the same meeting, the Standing Committee adopted its draft work programme (for the work programme as adopted, see annex I).

Closing statements

54. The representative of Australia, while thanking the UNCTAD secretariat for the documentation it had prepared for the session, expressed disappointment of the fact that the documents in question had been distributed late and delegations had not, therefore, had time to study them. Moreover, because it had been preoccupied with its work programme, the Standing Committee had not had an opportunity to discuss the documents. He therefore requested that, in accordance with General Assembly resolution 33/56, all documentation prepared for the Standing Committee's second session should be made available at least six weeks in advance of the session.

55. With regard to the provisional agenda for the Standing Committee's second session, he requested the secretariat to confirm that any documents prepared

for the Committee on topics not specified under item 5 of the provisional agenda would be made available under item 4.

56. The Chairman said that the secretariat so confirmed.

57. The representative of Chile, speaking also on behalf of Colombia, expressed appreciation for the initiative taken by the UNCTAD secretariat in convening a group of experts on agricultural insurance in developing countries just prior to the Standing Committee's session, but said it was important to ensure that countries were kept informed of the participation of experts in such groups.

58. With regard to the work of the Standing Committee, the Committee's discussions had not always reflected the sense of renewal that would be required to give fresh momentum to the intergovernmental work of UNCTAD. In future work, it would be important, in line with the Cartagena Commitment, to involve governmental experts in exchanges of experience and not reply wholly on the work of the secretariat.

59. Finally, he agreed with the representative of Australia that documentation for meetings should be distributed in good time to allow inputs from capitals.

60. The representative of Cuba said that the future work of the Standing Committee should be based on the broadest possible participation of countries, with special emphasis on subregional, regional and interregional exchanges of experience. Insurance was one area of activity where the transmission of knowledge to developing countries was a practical proposition.

61. The Deputy Secretary-General of UNCTAD assured the Standing Committee that future work would be based on constructive debates in line with the spirit of Cartagena. In that connection, it would be important to have contributions from as many countries as possible on their national experience. Every effort would be made to ensure the timely distribution of documentation.

62. The Chairman said that the Standing Committee's work programme was of discerning relevance to present and future developments in the field of insurance and in the spirit of UNCTAD VIII, as expressed in the Cartagena Commitment. In the choice of issues for the work programme, two criteria had been dominant. On the one hand, the programme must be such as to endure and benefit from ongoing developments in today's world of rapid economic, social and political change. On the other hand, it must be consistently relevant to the realities of development. The work programme as adopted allowed a sufficient degree of flexibility, and at the same time was a challenge to the Committee in its work.

63. The Committee's session had been fruitful and constructive. The vital role of insurance as an important element in the national economies of developing countries and as an instrument of development had been reiterated. However, it was evident that considerable work still had to be done to strengthen insurance markets, enhance trade in the insurance sector and foster competitive services. Regional and subregional organizations, as well as other international organizations, would have an important role to play in that regard.

Chapter II

ORGANIZATIONAL MATTERS

A. Opening of the Session

64. The first session of the Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries: Insurance was opened on 1 February 1993 by the Deputy Secretary-General of UNCTAD.

B. Election of officers

(Agenda item 1)

65. The Deputy Secretary-General of UNCTAD said that, at its first executive session, the Trade and Development Board had decided that the rules of procedure of the Main Committees of the Board should be applied to the new Standing Committee, in as flexible a manner as possible, for the election of the Officers of the Bureaux of the Standing Committees. Consultations on the election of officers of the Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries: Insurance had been held with regional coordinators.

66. At its 1st plenary meeting, on 1 February 1993, the Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries: Insurance elected its officers as follows:

Chairman:	Mr. Sankara V. Mony	(India)
Vice-Chairmen:	Mr. Mohamed Kari	(Nigeria)
	Mr. Jose Poblano	(Mexico)
	Ms. Capitolina Tourbina	(Russian Federation)
	Ms. Adelita A. Vergel de Dios	(Philippines)
	Mr. Emmanuel Zonas	(Greece)
Rapporteur:	Mr. Masatoshi Sato	(Japan)

C. Adoption of the agenda and organization of work

(Agenda item 2)

67. At its 1st plenary meeting, on 1 February 1993, the Standing Committee adopted its provisional agenda (TD/B/CN.4/14), as follows:

1. Election of officers;
2. Adoption of the agenda and organization of work;
3. Establishment of the work programme of the Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries: Insurance;

4. Provisional agenda for the second session of the Standing Committee (Insurance);

5. Other business;

6. Adoption of the report of the Standing Committee (Insurance) to the Trade and Development Board.

D. Provisional agenda for the second session of the Standing Committee (Insurance)

(Agenda item 4)

68. At its 5th (closing) plenary meeting, on 5 February 1993, the Standing Committee adopted the draft provisional agenda for its second session (TD/B/CN.4/L.7). (For the provisional agenda, see annex II.)

69. With regard to the timing of the second session, the Committee recommended that the second session should be held in mid-1994, with the exact dates to be decided by the Group on Calendar Matters.

E. Adoption of the report of the Standing Committee (Insurance) to the Trade and Development Board

(Agenda item 6)

70. At its 5th (closing) plenary meeting, on 5 February 1993, the Standing Committee adopted its draft report (TD/B/CN.4/L.5 and Add.1) and authorized the Rapporteur to complete the report in the light of the proceedings of the closing plenary.

Annex I

WORK PROGRAMME OF THE STANDING COMMITTEE IN THE FIELD OF INSURANCE

Pursuant to "A New Partnership for Development, the Cartagena Commitment", adopted at the eighth session of the Conference, the Standing Committee agreed, on the basis of Board decision 398 (XXXVIII) which sets out, in annex B, the terms of reference of the Standing Committee on Developing Services Sectors: Fostering Competitive Services Sectors in Developing Countries, on the following work programme in the field of insurance for the period up to the ninth session of the Conference.

In carrying out its work the Committee will give due regard to the work and experience of the former Committee on Invisibles and Financing related to Trade and of the UNCTAD secretariat in the area of insurance.

A. PROMOTING TRANSPARENCY

The Standing Committee will, with inputs from regional and subregional entities, as appropriate, collect information on insurance operations, markets and experiences, as well as bibliographic references on these subjects in particular, through:

- a statistical survey on insurance and reinsurance operations;
- a review of developments in insurance and reinsurance; and disseminate the results.

B. FOSTERING COMPETITIVE INSURANCE SERVICES

The Standing Committee, with a view to developing and strengthening the insurance sector and enhancing trade, taking into account the particular concerns of developing countries in this sector, will:

1. Prepare a comprehensive study including:

(a) A review of critical areas of concern with regard to macro-economic policies affecting the insurance sector and of insurance legislation, regulation and supervision in the light of ongoing or potential economic reforms - inter alia of progressive liberalization and privatization of insurance markets - with particular emphasis on issues of prudential regulation and protection of policy holders;

(b) An analysis, based on contributions received, of the specific and general experience of developing countries and those countries in transition to market economies in fostering a market-oriented insurance sector and in privatizing and liberalizing insurance markets;

(c) A study on policies and programmes in the context of regional cooperation among developing countries, including reinsurance and opportunities for optimizing retentions;

(d) Information arising from exchange of experiences on ways and means to develop creditor insurance for the benefit of small and medium-size enterprises in developing countries to facilitate their access to credit from the financial system.

2. Building on previous studies by and information within UNCTAD, to examine alternative mechanisms to meet the insurance and reinsurance needs in respect of:

- Catastrophes;

- Environmental impairments;

- Large risks;

particularly in times of reduced reinsurance capacity.

3. With a view to expanding the domestic sector in agriculture and rural insurance and taking into account the work done by the UNCTAD secretariat, it will:

(a) Examine linkages between insurance schemes, rural credit systems and development strategy in this sector, including the role of cooperatives;

(b) Study crop, livestock, poultry and aquaculture insurances.

In carrying out its work, the Standing Committee will give particular attention to the situation of the least developed countries, and suggest ways and means for improving their capabilities.

C. STRENGTHENING TECHNICAL COOPERATION AND HUMAN RESOURCES DEVELOPMENT

The UNCTAD secretariat will provide technical assistance upon request within available resources by:

(i) In the field of technical cooperation: advising and assisting in areas within its competence.

Examples are:

- The revision of insurance legislation or the drafting of new legislation and assistance in the establishment of efficient supervisory bodies;

- Determining the feasibility of establishing and strengthening national or regional insurance entities, as well as insurance training and research institutions;

- The holding of workshops on a regional basis with the purpose of studying in detail the practical operation of agriculture insurance schemes, their infrastructure, existing loss assessment and claims-handling procedures, marketing practices, etc.

(ii) **In the field of human resources development:**

- **Assisting in strengthening insurance education and training programmes provided at national and regional levels, including actuarial science;**
- **Organizing and conducting meetings, workshops and seminars for supervisory authorities, insurers and reinsurers to promote the exchange of experience and to disseminate the findings of UNCTAD studies and to train personnel at the middle and higher levels to manage insurance activities more effectively.**

Annex II

PROVISIONAL AGENDA FOR THE SECOND SESSION OF THE STANDING COMMITTEE, INSURANCE

1. Election of officers

2. Adoption of the agenda and organization of work

3. Review of developments in the insurance market (UNCTAD/SDD/INS/2/Rev.1)

4. Review of progress made on the work programme

5. Consideration of specific items of the work programme:

   (i) Review on critical areas with regard to insurance legislation, regulation and supervision (see section B.1 (a) of the work programme)

   (ii) Privatization and liberalization in insurance (UNCTAD/SDD/INS/3/Rev.1)

   (iii) Expanding the insurance sector in agriculture and rural insurance (UNCTAD/SDD/INS/1/Rev.1)

   (iv) Exchange of experiences on creditor insurance

   (v) Reinsurance (see sections B.1 (c) and B.2 of the work programme)

6. Provisional agenda for the third session of the Standing Committee, Insurance

7. Other business

8. Adoption of the report of the Standing Committee, Insurance, to the Trade and Development Board.

Annex III

MEMBERSHIP AND ATTENDANCE 1/

1. The following States members of UNCTAD, members of the Standing Committee, were represented at the session:

Afghanistan
Algeria
Australia
Austria
Belgium
Bolivia
Brazil
Bulgaria
Cameroon
Chile
China
Colombia
Croatia
Cuba
Czech Republic
Democratic People's Republic of Korea
Denmark
Egypt
El Salvador
Finland
France
Germany
Ghana
Greece
India
Indonesia
Iraq
Ireland
Italy
Japan
Kenya
Lesotho
Libyan Arab Jamahiriya
Malaysia
Mauritius
Mexico
Mongolia
Morocco
Myanmar
Nepal
Netherlands
Nigeria
Norway
Pakistan
Paraguay
Peru
Philippines
Poland
Republic of Korea
Romania
Russian Federation
Saudi Arabia
Senegal
Seychelles
Spain
Sri Lanka
Sweden
Switzerland
Thailand
Trinidad and Tobago
Tunisia
Turkey
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Uruguay
Venezuela
Zimbabwe

2. The following other States members of UNCTAD, not members of the Standing Committee, were represented at the session,

Equatorial Guinea
Kuwait
Madagascar
Panama
Portugal
Qatar

3. The following specialized and related agencies were represented at the session:

International Labour Organisation
World Bank
International Monetary Fund

The General Agreement on Tariffs and Trade was also represented.

4. The following intergovernmental organizations were represented at the session:

African Reinsurance Corporation
European Economic Community
League of Arab States
Organisation for Economic Co-operation and Development
Organization of African Unity

5. The following non-governmental organizations were represented at the session:

General Category

International Chamber of Commerce
International Co-operative Alliance
World Federation of United Nations Associations

Special Category

African Insurance Organization
Association of Expert Credit Insurance Organization (Dakar Union)
European Insurance Committee
International Association of Insurance and Reinsurance Intermediaries

Notes

1/ For the list of participants, see TD/B/CN.4/INF. 4

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